



## HIGH DIVIDEND STRATEGY

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- **Employee-owned, established 2012**
- **Quantitative, rules-based investment process**
- **Strategy Focus:**
  - Tactical strategies – limit loss
  - Quantitative equity strategies - generate alpha
- **Experienced Team**
  - Institutional investment experience
  - Portfolio management team includes 3 Ph.D.'s
- **GIPS compliance verified by ACA Performance Services**

# Investment Team Background

Team	Role	Experience	Education
Henry Ma Ph.D., CFA	President Chief Investment Officer	Geode Capital – Hedge Fund Manager Loomis Sayles – Director of Quantitative Research Fortis Investments - Director of Quantitative Research Sun Life Financial– Portfolio Manager	Ph.D. Economics – Boston University BA, MA – Peking University
George Xiang Ph.D., CFA	Portfolio Manager Research	State Street Global Advisors (SSGA) – Head of Quantitative Research Loomis Sayles – Senior Quantitative Analyst Conseco Capital – Quantitative Research Manager	Ph.D., Mathematics – Purdue University BA – Nankai University
Frank Zhuang Ph.D.	Portfolio Manager Research	Ericsson – Senior Engineer Nortel, Alcatel/Lucent - Senior Research Scientist	Ph.D. Electric Engineering – University of Maryland MS – West Virginia University
Jeffrey Megar CFA	Investment Committee Member	F-Squared Investments – Senior Vice President State Street Global Advisors – Senior Portfolio Manager Fortis Investments – Senior Portfolio Manager Cypress Tree Investment Management	MBA – Northeastern University BA – Framingham State University
Liam Flaherty	Research	MFS Investments - Independent Contractor MassMutual - Internship	BA – Babson College
Bo Wang	Research		Ph.D. Candidate, Economics – Boston College BA – Renmin University of China

# Are Dividend Stocks a good substitute for Bonds?

- **Low interest rate environment**
- **CD's, Money Markets and Bonds unable to offer competitive yields**
- **Fixed Income is exposed to inflation**
- **It can be unrealistic for investors to expect to live off interest and not touch capital. How does this work for retirees?**

# BUT?

- **Stocks are still not bonds!!!**
  - **Bonds provide a level of safety stocks can't**
- **Dividend stocks may be less volatile but.... still stocks**
- **In 2008 Dividend stocks were down 25-30%**
  - **For retirees this can be a big problem**
- **Even at worse, volatility of bonds far less than stocks**

# Investors turning to Dividend paying stocks for yield and stability to a portfolio

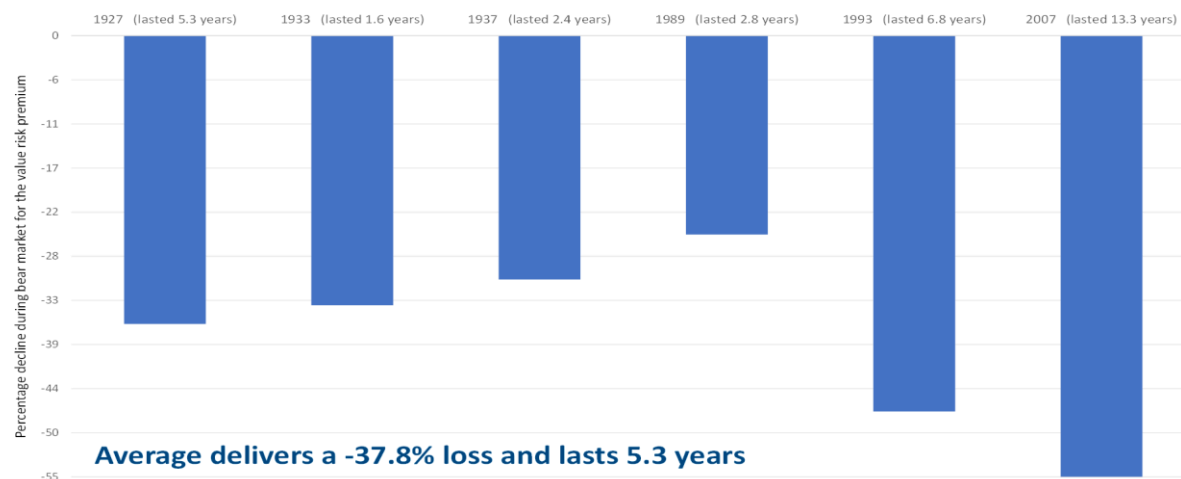
- Seek Attractive total returns
  - Dividend strategies, including higher-dividend yielding and dividend growth stocks can enhance a portfolios returns
- Pursue Steady Income
  - Provide a regular source of income that can outpace inflation
- Reduce Risk
  - Dividend Stocks can offer lower volatility and reduce downside risk relative to other equity strategies

# Seek Attractive Total Return

- Compounding effects of dividend income can be powerful
  - Reinvested dividends for S&P has explained almost 50% of total equity market returns over past 30 years
- Portfolios of dividend stocks attractive risk adjusted returns
  - Shares of companies that pay, grow or initiate dividend have historically returns that are less risky
- Stability of returns for dividend payers over time suggest that dividend stocks may be a quality option for investors seeking income with less risk

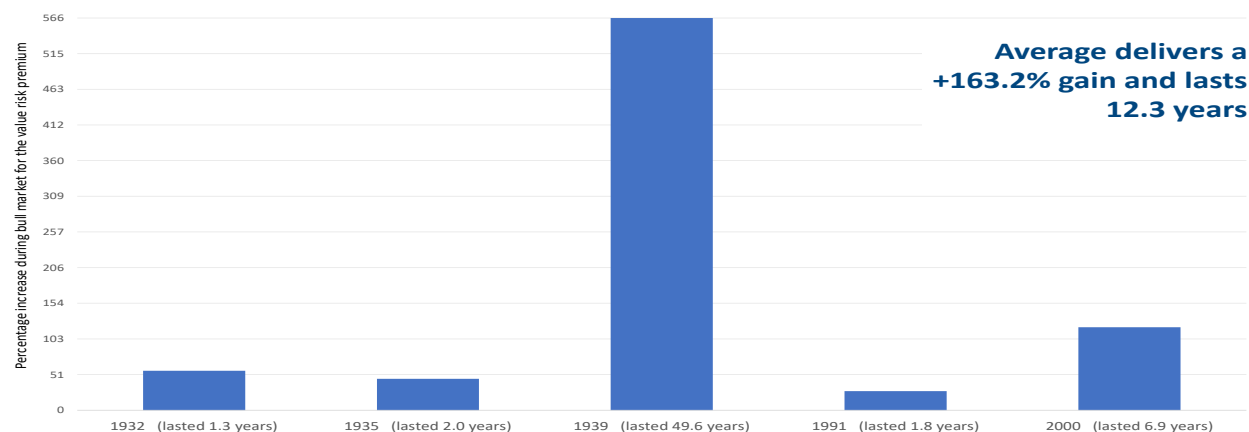
# Why Now? - The Value Stocks Bull Market May Be On the Way

## Bear markets for the value risk premium have been both severe and long-lasting



The bull market for value stocks may be on the way after 13 years in bear market.

## Bull markets for the value risk premium have been both bountiful and long-lasting



Source: Global Financial Data



# Pursue Steady Income

- High quality dividend paying stocks can add stability to investors requiring income distribution
- Traditional FI can leave investor exposed to inflation
- Stocks that grow dividends and realize cap gains can be better positioned to keep pace or exceed inflation over time
- In recent years, dividends have come to represents a greater proportion of income than bonds in blended portfolio

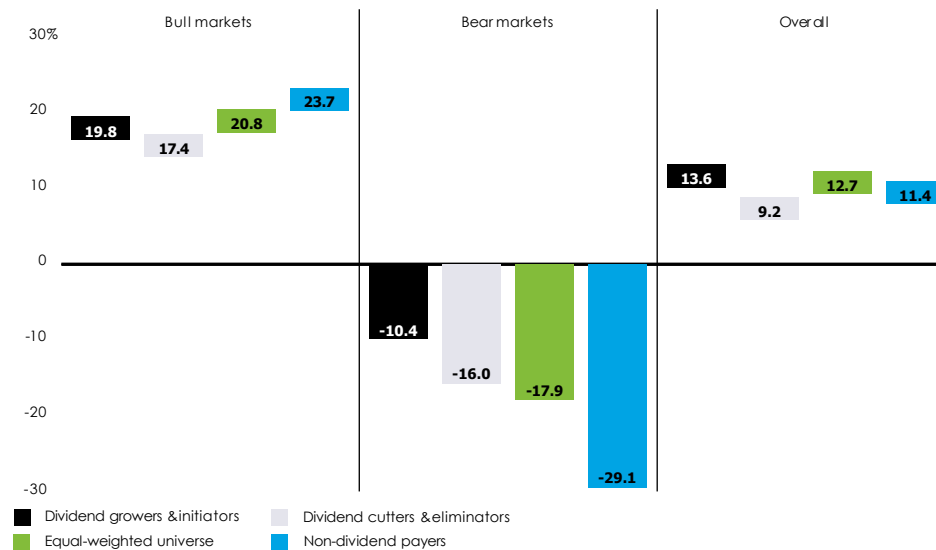
- Dividend paying stocks have tended to weather down markets better than non-dividend payers
- Ability to consistently pay dividends suggests a mature company, that has cash flow and cash on hand
- Strong cash flows are indication of strong company

## Reduce risk

Dividend-paying stocks have tended to weather down equity markets better than non-payers. This is intuitive: The ability to consistently pay dividends suggests that a company is mature, has cash flow and cash on hand. Strong cash flows are a sign of a company that is relatively stable. While never guaranteed, corporate boards tend to set dividends at levels that can be maintained. Thus, dividend stocks typically pay a cash return regardless of share price movement, and this income component may help reduce losses in a down market.

### Dividend growers and initiators weathered diverse markets

Historical average returns of dividend categories (12/31/1978 - 12/31/2019)

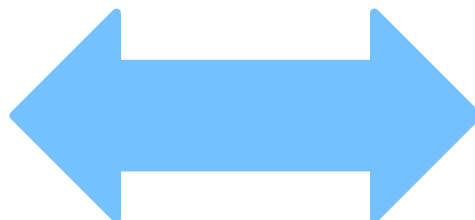


Source: Refinitiv, with data from Compustat and IDC. Data from 12/31/1978 through 12/31/2019. The investment universe is the 500 largest U.S. stocks by market cap. Dividend policy constituents are calculated on a rolling 12-month basis and are rebalanced monthly. Category returns are calculated on a monthly basis. Shown for illustrative purposes only. Past performance is not indicative of future returns. The Dividend Growers & Initiators category represents historical performance for companies which either increased or initiated their dividend distribution. The Dividend Cutters & Eliminators category represents historical performance for companies which either cut or eliminated their dividend distribution. The Equal Weighted category represents historical performance for the 500 largest U.S. stocks by market cap, calculated by assigning the same weighting (0.20%) to each constituent. The Nonpayers category represents historical performance for companies which do not pay a dividend.

## Case for Dividend Stocks

- High current income
- Better approach to capture value risk premium
- Outperform non-dividend paying stocks in the long run

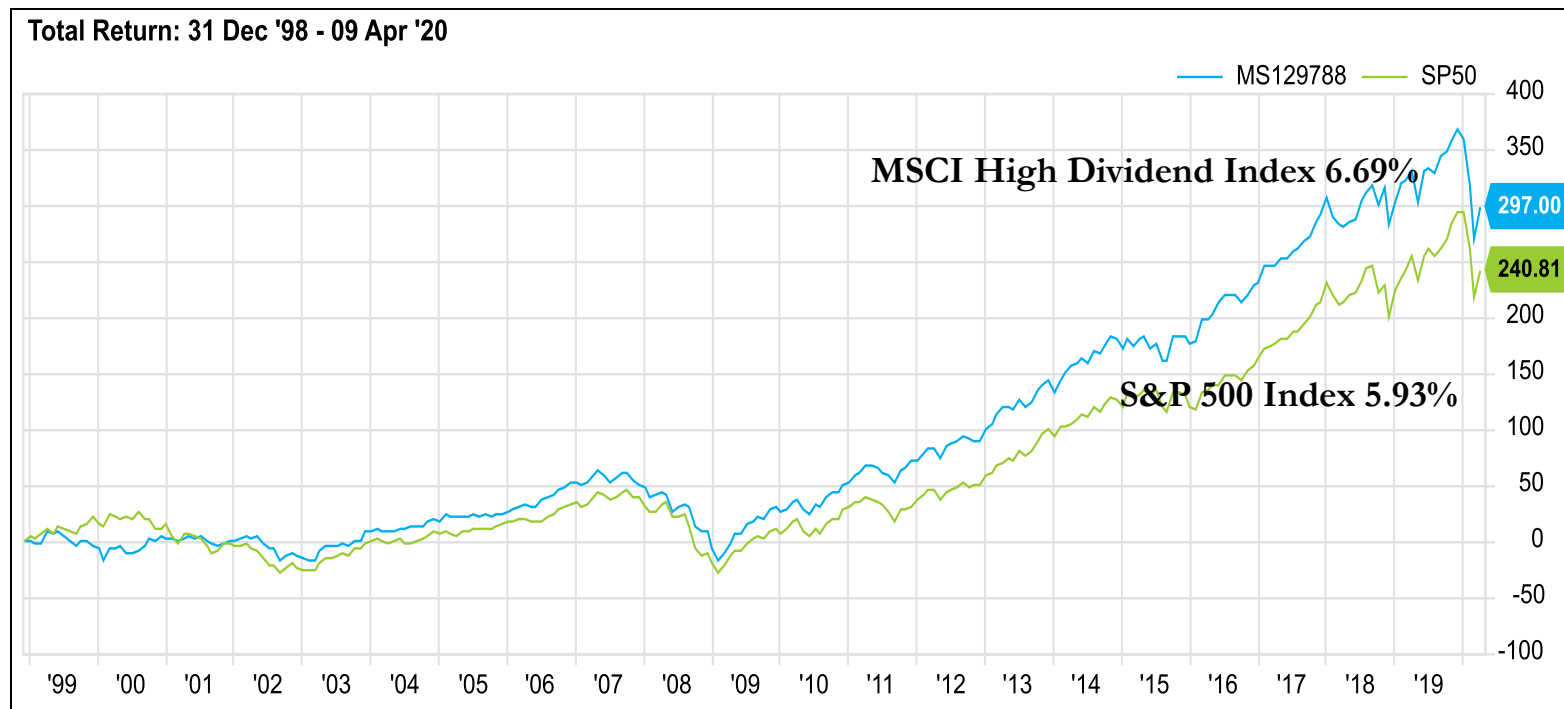
**The case for value, in general and right now**



**High dividend stocks as a best possible expression of value**

- Current income
- Zombie filter - Lower debt
- Sustainability
- Profitability
- Growing income
- Tangibles vs intangibles – Price to book may not be the best measure for value

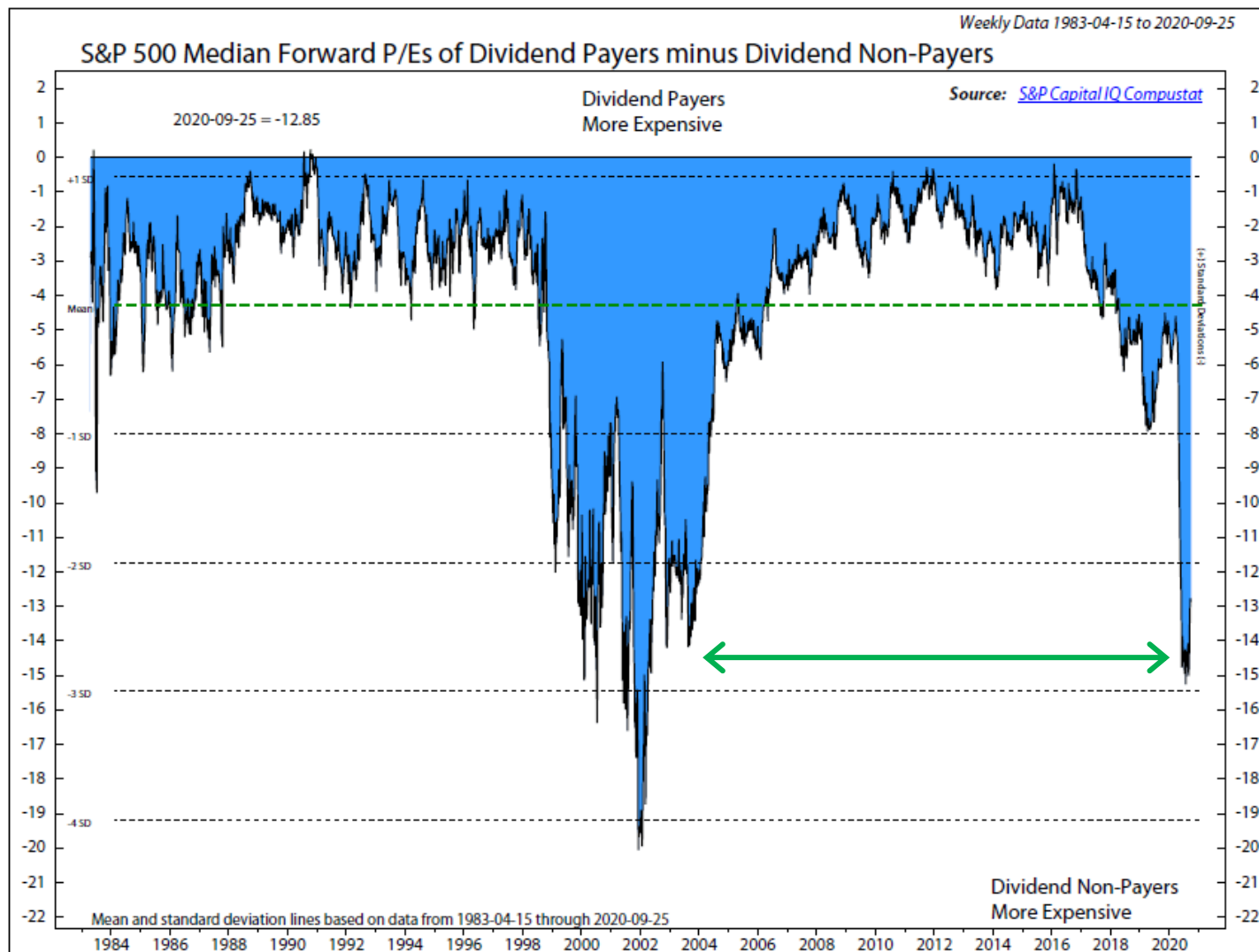
# Dividend Stocks Outperform In the Long Run



Source: FactSet

# Why Now – Dividend Stocks are the Most Undervalued in 18 Years

## Dividend Payers cheap vs Non-Payers



Source: Global Financial Data

# Strategy Highlights

## High Dividend & Excess Return

- Expected 4-5% dividend yield
- Outperform Russell 1000 Index over the long run
- Semi-Annual Rebalanced: Mar/Sep.

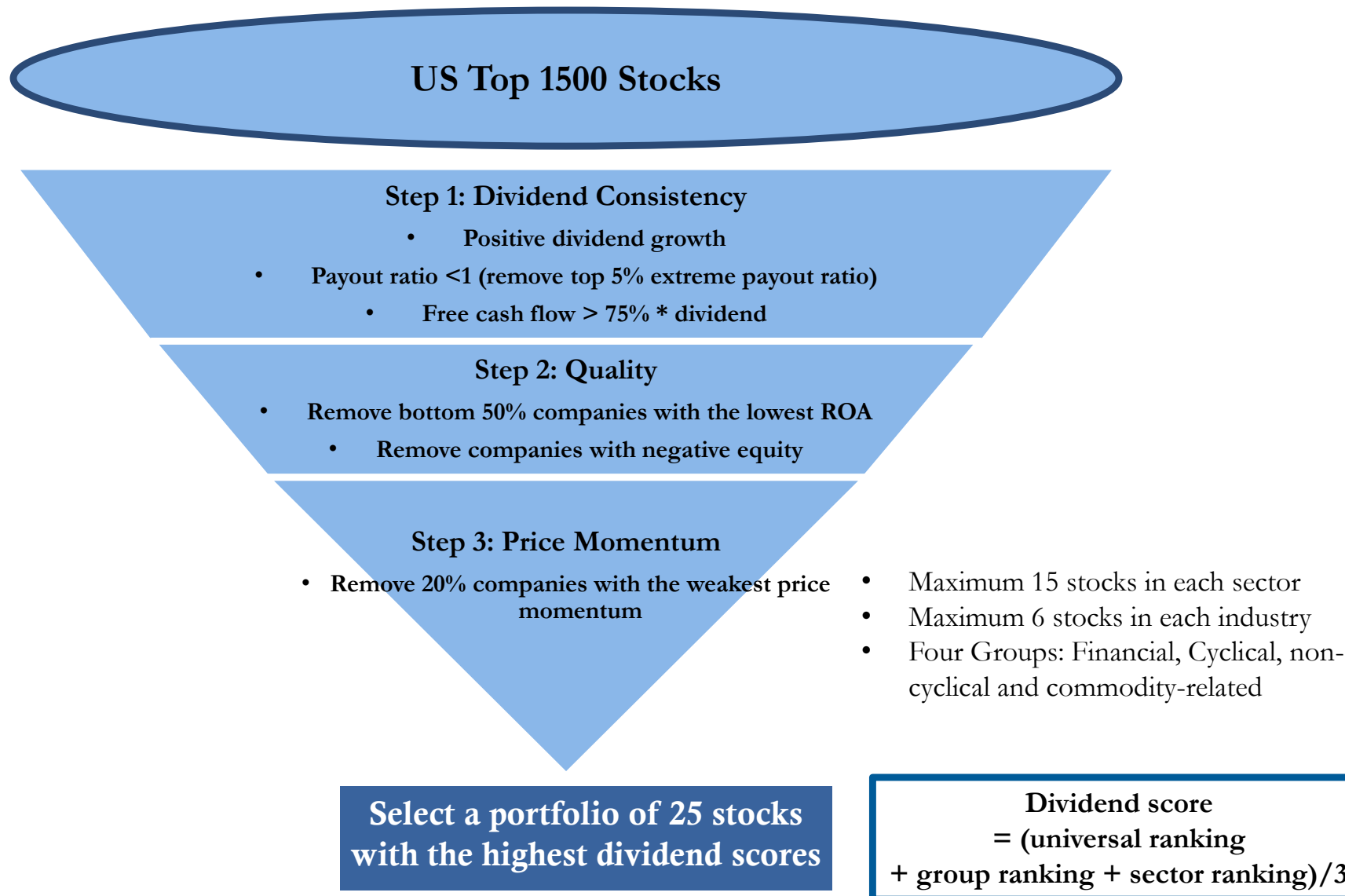
## Quantitative and Disciplined Approach

- Model driven investment process
- No emotional bias

## Robust and Consistent Factors

- Consistent dividend
- Quality companies

# Stock Selection Process





# High Dividend Portfolio (9/30/2020)

Symbol	Company	Sector	Industry	Yield	Weight
MRK	Merck & Co Inc	Healthcare	Drug Manufacturers	2.81	4%
KO	Coca-Cola Co	Consumer Defensive	Beverages - Non-Alcoholic	3.28	4%
PFE	Pfizer Inc	Healthcare	Drug Manufacturers	4.06	4%
NVS	Novartis AG	Healthcare	Drug Manufacturers	3.56	4%
CSCO	Cisco Systems Inc	Technology	Hardware	3.38	4%
ABBV	AbbVie Inc	Healthcare	Drug Manufacturers	5	4%
SNY	Sanofi SA	Healthcare	Drug Manufacturers	3.4	4%
BBL	BHP Group PLC	Basic Materials	Metals & Mining	6.11	4%
GSK	GlaxoSmithKline PLC	Healthcare	Drug Manufacturers	5.14	4%
MMM	3M Co	Industrials	Industrial Products	3.57	4%
RIO	Rio Tinto PLC	Basic Materials	Metals & Mining	6.13	4%
EMR	Emerson Electric Co	Industrials	Industrial Products	2.85	4%
PAYX	Paychex Inc	Industrials	Business Services	3.25	4%
K	Kellogg Co	Consumer Defensive	Consumer Packaged Goods	3.3	4%
LYB	LyondellBasell Industries NV	Basic Materials	Chemicals	6.14	4%
MXIM	Maxim Integrated Products Inc	Technology	Semiconductors	2.77	4%
STX	Seagate Technology PLC	Technology	Hardware	5.49	4%
NTAP	NetApp Inc	Technology	Hardware	4.12	4%
PKG	Packaging Corp of America	Consumer Cyclical	Packaging & Containers	3.02	4%
SNA	Snap-on Inc	Industrials	Industrial Products	2.85	4%
HBI	Hanesbrands Inc	Consumer Cyclical	Manufacturing - Apparel & Accessories	3.86	4%
INGR	Ingredion Inc	Consumer Defensive	Consumer Packaged Goods	3.15	4%
NATI	National Instruments Corp	Technology	Software	2.87	4%
MSM	MSC Industrial Direct Co Inc	Industrials	Industrial Distribution	4.46	4%
MCY	Mercury General Corp	Financial Services	Insurance	5.6	4%
Total				4.0	100%

## Portfolio Characteristics (9/30/2020)

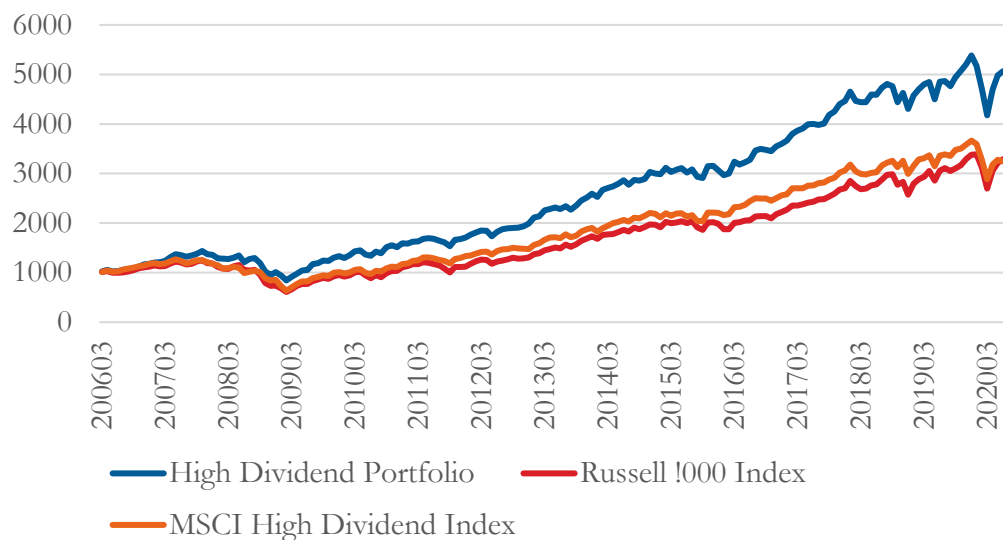
	<b>High Dividend Stock Portfolio</b>	<b>Vanguard Russell 1000 Index Fund</b>
# of Securities	25	1,009
Market Capitalization	70,871.1	409,136.0
Active Share	96.2	--
Dividend Yield	4.0	1.7
Price/Earnings	15.7	26.7
P/E using FY1 Est	14.2	24.3
P/E using FY2 Est	13.3	20.7
Est 3-5 Yr EPS Growth	5.4	12.8
Price/Cash Flow	10.5	13.8
Price/Book	3.7	3.5
Price/Sales	1.8	2.4
ROE	29.6	23.5
ROA	11.16	9.34
Port. MPT Tracking Error	10.50	--
Port. MPT Beta	0.92	1.00
Port. MPT Volatility	32.04	33.21

# High Dividend Strategy

## Back Test Hypothetical Performance

March 2006-June. 2020	High Dividend Portfolio	Russell 1000 Index	MSCI High Dividend Index
Annual Return	12.0%	8.7%	8.6%
Standard Deviation	14.2%	15.3%	13.8%
Sharpe Ratio (risk free rate =0%)	0.84	0.57	0.62
Maximum Drawdown	-41.2%	-51.1%	-50.1%
Dividend Yield	4.32%	2.03%	3.44%

Cumulative Return



Year	High Dividend Portfolio	Russell 1000 Index	MSCI High Dividend Index
2006 (Mar. – Dec)	17.8%	12.1%	17.7%
2007	15.0%	5.8%	0.0%
2008	-25.6%	-37.6%	-27.6%
2009	31.8%	28.4%	18.4%
2010	19.8%	16.1%	15.9%
2011	7.2%	1.5%	14.3%
2012	16.6%	16.4%	10.6%
2013	30.1%	33.1%	28.9%
2014	15.7%	13.2%	14.9%
2015	2.3%	0.9%	0.7%
2016	17.4%	12.1%	16.3%
2017	24.2%	21.7%	19.5%
2018	-3.6%	-4.8%	-2.3%
2019	25.1%	31.4%	22.5%
2020 (Jan - Jun)	-5.9%	-2.8%	-11.4%

Note: The performance results shown on this slide are HYPOTHETICAL based on back test modeled results and are gross returns before investment management fees.

Data Source: FactSet, Julex Capital Management, Gurufocus

**6/30 – 12/11: Julex High Dividend 23.13%**  
**MSCI High Dividend Index 14.03%**  
**Russell 1000 Index: 21.16%**

# How to Use Julex High Dividend Strategy

## Income enhancement in low-yield environment Dividend equity strategy to enhance return



# Disclosures

This information in this presentation is for the purpose of information exchange. This is not a solicitation or offer to buy or sell any security. You must do your own due diligence and consult a professional investment advisor before making any investment decisions. The use of a proprietary technique, model or algorithm does not guarantee any specific or profitable results. **Past performance is not indicative of future returns.** The performance data presented are gross returns, unless otherwise noted.

The risk of loss in trading securities can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. All information posted is believed to come from reliable sources. We do not warrant the accuracy or completeness of information made available and therefore will not be liable for any losses incurred.

The investment performance shown in the Appendix is HYPOTHETICAL. It is based on the back tests of historical data. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the presentation of hypothetical performance results and all of which can adversely affect actual trading results.

The composition of a benchmark index may not reflect the manner in which a Julex portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error targets, all of which are subject to change over time.

No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used to construct the performance provided have been stated or fully considered.

In the back test, we used the index returns in case the historical returns of the ETFs are not long enough. The ETF returns were approximated by index returns subtracted by their respective expense ratios. Please see "Notes on Data" for more details.